

2015 HealthPartners Insurance Company Individual Medical Rate Change

Consumer Justification Narrative:

This rate change will impact both members enrolled in new benefit plans in 2014 and members on guaranteed renewable individual benefit plans offered prior to January 1, 2014. The average increase, based on the calculation embedded in the federal rate filing worksheet, is 10.3 percent. Members enrolled on new silver and bronze plans will receive rate increases of 9.5 to 12.9 percent. Members enrolled on catastrophic plans will receive rate changes of -10.4 to -7.7 percent. Members enrolled on plans offered prior to January 1, 2014 will receive rate increases of 9.5 to 15.4 percent. Factors contributing to the rate increase The most significant factors contributing to the rate increase are as follows Expected changes in overall individual market membership. Rates reflect the overall membership in Minnesota's individual market as there will be a risk adjustment mechanism moving premium from health plans with lower risk, or lower cost, members to health plans with higher risk members, with higher expected costs. Three significant changes expected in 2015 are as follows 1. Minnesota Comprehensive Health Association, known as MCHA, members. Members unable to obtain coverage in the individual market prior to 2014 due to health conditions were able to purchase coverage in MCHA, Minnesota's high risk pool. Although most states discontinued their high risk pool at the end of 2013 sending members into the individual market in 2014, MCHA continued through 2014. In calculating our 2014 rates, we assumed a small percentage of MCHA membership would enter the 2014 individual market. In calculating our 2015 rates, we are assuming most MCHA membership will be part of the 2015 individual market. As these members have very high medical costs, this increases the individual market rates. MCHA is funded through an assessment on all insured premiums. We expect there to be no MCHA assessment in 2015, this offsets a small part of the increased costs. 2. Employer Group Members. We are seeing members from Small and Large Employer groups moving into the individual market. As the individual rates and medical costs are lower than those of most employer groups, this increases the individual market rates. 3. Uninsured. We are expecting more of the uninsured people to enter the individual market in 2015. These new members are expected to be lower cost than average individual market members and thus decrease the rate need in the individual market. Increases in medical costs are driven by the following 1. We expect medical costs to increase by 4 percent from 2014 to 2015. This will cause a 5.4 percent increase in health plan covered medical costs as the portion of total costs covered by member cost-sharing declines. This medical trend includes increases in number of services provided, increases in prices by medical providers and pharmaceutical companies, and the cost of new medical treatments and drugs. 2. Solvaldi, the new drug for Hepatitis C, is separately added to projected medical claims due to the high cost of this drug, averaging \$84,000 per patient. Benefit Changes are as follows 1. There were slight decreases to member cost-sharing on 4 benefit plans offered prior to January 1, 2014. These cost-sharing changes were required by a change in regulatory instructions and cause a slight rate increase on these benefit plans. Changes in the Federal Transitional Reinsurance Program. The Affordable Care Act included a transitional reinsurance program which reimburses plans for some high claims of individual market members. This is a transitional program which gradually phases out with fewer claims reimbursed in 2015 than 2014. This increases the claims that must be covered by the premium rates. Changes in Federal ACA tax. There are a number of taxes, fees, and assessments which are included in the rates our members pay. One of those, the federal ACA tax, is projected to be 2.4 percent of HPIC premiums in 2015, a slight increase over the projected 2.0 percent of 2014 premiums.

Minnesota Department of Commerce Comments:

MCHA, Minnesota's high risk pool, was the largest such pool in the country prior to 2014, both proportionately and in overall covered count. The anticipated entry of nearly 100% of over 26,000 MCHA members into the individual market is putting upward cost pressure on 2015 rates. Initially, the phase out of Minnesota's long-standing high risk pool was planned to occur over a three year period. However, high risk pool members have voluntarily migrated over to the individual market much faster than expected in 2014 already, likely owing to the very favorable rate decreases MCHA members experience. MCHA is expected to be closed in early 2015. Minnesota is an outlier in the more significant upward rate pressure for 2015 coming from the high risk pool migration.

Also, Minnesota is the only state operating a Basic Health Plan. The Basic Health Plan covers many of the previously uninsured and does not participate in the individual market's statewide risk pool. The Basic Health Plan (MinnesotaCare) mitigates the enrollment growth of the Minnesota individual market relatively, as compared to other states, though has contributed to the significant reduction in the uninsured rate. As an example of how Minnesota is different from other states, there are 0 (zero) enrollees in the 87% or 94% federal plan design cost sharing reduction subsidy in Minnesota on the individual market, as those people participate instead in MinnesotaCare.